



Benefactors may realize what education can achieve, but they will have no money

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Will Taxation Cripple Education?

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WHEN Edward S. Harkness died on January 29, his obituary stated that his benefactions had totaled \$100,000,000; but about the same time the John Price Jones Corporation announced that total gifts and bequests in 1939 in six leading cities of the country scarcely exceeded that sum. If Samuel H. Kress' donation of his \$25,000,000 collection to the National Gallery of Art were excluded, the total for 1939 to all other educational and charitable purposes in New York, Chicago, Philadelphia, Boston, Baltimore and Washington would be about \$76,000,000.

That is "big money," but it stands in tragic comparison with the \$111,-

WHO will carry on the research on which progress depends if the rich whose bequests made this work possible are taxed out of existence?

000,000 of the "bad" year 1934, and it is less than half the gifts of some pre-depression years. If it be asked why traditionally generous American philanthropists now are giving only \$76,000,000 to education and charity in 12 months, the most inclusive answer is that the Government of the United States is spending a like sum every three days. Federal taxation is drying up the springs by which the

universities, the research centers and the charities of the nation were watered. In addition to the normal tax of four per cent, the surtax on an income of \$250,000 a year is \$120,000. The estate tax on \$1,000,000 averages about \$178,000. To these taxes, those of the

states, which vary much, have to be added.

Because Government takes the larger part of all that the most productive men of America earn and accumulate, there will be no more fortunes as large as those of Andrew Carnegie, of the Rockefellers, of the Mellons or of the Fords. After the death of multi-millionaires now alive, the prospect is scant of another Hark-

ness from whom Columbia University will receive \$30,000,000, Yale \$15,000,000 and Harvard a like sum. Benefactors may have the vision of what can be achieved in education and in science but they will not have the money. Government has seen to that.

This discouragement, through prohibitive federal taxation, of large benefactions is as shortsighted a policy as any national government, and above all the government of a republic, ever can pursue. The reason is to be found both in the pattern of progress and in the realities of our social order. If there is to be real advancement, scientific research must be encouraged, education must be promoted, health must be protected, hospitalization must be provided.

At the same time, the federal Government faces demands for national defense and for social security. Instant need will be met at the expense of ordered planning, and will be found to call for ever-mounting billions. It takes no prophet to see that, for the next few years and perhaps for a dark, indefinite future, the army and the navy will require annually larger funds than were spent for all purposes, except the postal service, before 1916. Social security and farm bene-

fits will eat up all that is not demanded for defense and for the unescapable costs of administration. This means that the expenditures of Government will be canalized. The more the Government does in directions shaped by national danger and by pressure-groups, the less it will be able to do to all other ends. That is certain. All the wealth and all the industry of America will not yield, under the harshest system of taxation, half of what may seem desirable.

States are handicapped too

WILL the states be able to meet the needs the federal Government cannot supply? Manifestly, they will not. They, too, are subjected to endless calls for service and for social security. The best that can be expected of them is that they will care for their defectives and delinquents more adequately, that they will find money for vocational training, that they will maintain and gradually will extend their highway systems, and that they will continue the miscellaneous services they now perform. As for the older and larger cities which have spent billions on utilities, they will be fortunate if, after another 20 years of

suburbanization and the flight of industry, they may hope to hold their own and to escape bankruptcy. The case may be less discouraging for the younger and smaller cities that plan wisely and have no great inheritance of debt.

Assume, then, that the cost of national defense and of social security can be met by federal taxation, and that government, from top to bottom, can discharge essentially its present functions but can do no more. Whence, then, are to come the hospitals, the funds for scientific research, and the necessary buildings and endowments for non-state-supported institutions of higher learning? Thirty years ago, we could have pointed to the examples set by Andrew Carnegie and John D. Rockefeller, and could have predicted with reasonable assurance that these needs would be met by private philanthropy.

At present, the most that can be said is that, in all probability, the hospital facilities that government does not provide will be supplied by a multitude of relatively small gifts. The relief of physical suffering has an emotional appeal which high taxation will not paralyze. Benefits to man-

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Confiscatory taxes dry up funds that would otherwise go to research

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kind through endowed wards and the like come within the imaginative reach of men who can and will give \$100,000 or so for these purposes.

If, on the other hand, confiscatory taxes dry up funds that otherwise would go to scientific research and to institutions of advanced learning, a gap will be created that Government will be unable to fill.

In the event that the gap remains, America will sustain a loss in comparison with which the revenue from taxes on the estates of multi-millionaires will be small change.

More research is needed

THE most dangerous misapprehension prevails concerning the extent of scientific research in the United States. Because a few large industrial corporations conduct much research, which is advertised shrewdly, the American public takes comfort, so to say, in the impressive names and fine records of those companies, and supposes that all the potentialities of science are being realized steadily.

The fact is that about 95 per cent of this corporate research is in the realm of applied science. What the industrial laboratories do—and all they

can be expected to do—is to take the results of pure research and adapt them to the particular business they are conducting.

In the process of this adaptation, to be sure, much that is fundamental is brought to light; but to say that industrial laboratories can be expected to do *all* needed scientific research is to talk nonsense.

Perhaps the most convincing testimony on this score would be that given by the industrial scientists themselves. Were they told that the university and research laboratories would be closed to them and that the flow of technically-trained young investigators would stop, the most capable and useful industrial scientists of the United States would be ready to shut up shop.

It so happens, for example, that much of the most important work being done at present in physics is at the stage where costly equipment has to be employed for work that promises no results of immediate application in manufacturing.

Why should industry be expected to make the heavy investment required? Can any university afford from its own resources to provide the equipment? Yet it is possible that from the cyclotrons that private philanthropy is setting up in the United States may come results even more revolutionary than those wrought by the dynamo or the gas engine.

Destroy these philanthropies and you may destroy the basic scientific research that ultimately will enrich the life of generations.

Look at medical advance. Investigation of cancer, like hospitalization, makes a wide appeal and will not lack for support. The coordination of many independent cancer researches was, in actual fact, a matter of scientific concern a few years ago. Certain other maladies which represent a potential threat to the human race sometimes make their first appearance where government is unable to cope with them. Such a disease was the South American "jungle fever," which, in its initial stage, seemed to be a new form of endemic yellow fever. The governments of the affected countries were not equipped to study, much less to eradicate, this disease. Sooner or later it would have spread to other lands and would have raised anew all the problems of "yellow jack."

Dependent on private funds

FORTUNATELY, through the forethought of the Rockefellers, the International Health Division of the Foundation that bears their name was ready to combat such a threat. Thanks to the work of the Foundation the interesting discovery was made that, where the yellow-fever mosquito (*Aedes Aegypti*) was not present, the disease was not likely to be spread to those who lived in

the same house with an infective case. On the basis of this discovery, the disease soon was brought under control.

Measurable success has been attained also in dealing with a singularly virulent type of malaria, transmitted by the *Anopheles Gambiae* in Brazil. These battles with calamity raise a clear question: If the world must look forward to the ultimate liquidation of the Rockefeller Foundation in circumstances that may preclude the establishment of similar agencies for the service of mankind, how are weak nations to cope with new and dangerous communicable diseases in the remote corners of the earth?

In what manner are the basic researches of biology and medicine to be supported?

Most of the experiments in genetics, in biochemistry, in parasitology and in related sciences have been conducted in university laboratories or on grants from foundations. Much of this work is slow and costly. Is there any assurance of its continuance, now that taxation cuts in half the incomes and the estates of philanthropists?

If it be said, in answer, that the universities have resources adequate to finance the essential inquiries, one need do no more than point to the present plight of institutions of higher learning in the United States.

Endowments yield less money

FOR a variety of manifest reasons, the largest gifts of the past decade have gone to six universities, which are carrying on in their laboratories many researches that will benefit the entire nation.

If judged by the book value of their ledger assets, these universities never were so rich; but, when the yield on their endowments is taken into account, scarcely one of them is as well off today as it was 15 years ago.

A net, tax-free yield of five per cent was not unusual then. One university, which had an investment committee of great ability, netted 5.7 per cent. Now an institution that receives four per cent is envied. The average yield is around 3.7. An endowment that has escaped direct shrinkage of capital gets an average of one-fourth less. Stated conversely, the principal of such an endowment must be 25 to 30 per cent larger for its tax-free yield to be as great as in, say, 1925.

It is not surprising, therefore, to hear that one great school, which renders immense educational service at the same time that it sponsors much research, recently began its fiscal year with an anticipated deficit of \$800,000.

If these universities cease to receive large gifts as a result of unwise and vicious surtaxes, they will be fortunate to continue their present service. To extend it will be impossible. Much that they are doing in new fields of natural and social science is financed by the foundations. If these foundations are extinguished, the universities cannot carry on.

When one goes from the level of the great universities to that of the smaller institutions of learning, the scene be-

comes far darker. Of approximately 720 recognized colleges and universities in the United States, not more than 113 privately-supported schools have endowments of \$2,000,000 or more.

Only 22 of these have endowments exceeding \$10,000,000. Institutions that could build their budgets on the assurance of \$100,000 a year from an endowment of \$2,000,000 now receive about \$75,000.

In comparison with state-supported schools that have built new structures under P.W.A., the plant of the average privately-endowed college is now at least ten years outdated. Many of these institutions have been kept alive during depression years solely by raising student fees, and by beating the bushes for students whose expenses have been met in part by the National Youth Administration.

After 1945, the declining birth-rate of the country may be reflected in decreased enrollment.

Certainly there will be no material increase. Tuition charges cannot be raised further. Unless, then, gifts are forthcoming for buildings and for endowment, many non-tax-supported colleges are doomed. Any person with a reasonable knowledge of American colleges can run through the list and, at the least, put a question-mark after the names of 250 or 300.

In some states that now have ten privately-endowed colleges, nothing short of a complete reversal of present trends can save seven or eight of them.

Handicap for many students

HOWEVER the economic effect of this is to be viewed, it is bound to be serious. Half the students of the average American college or small university come from homes within a radius of 50 miles. When the nearby college is closed, will they abandon their hopes of advanced academic training? Will they go, instead, to the state-supported institutions? If they do, the tax-burden represented by those colleges will be increased because more students must be accommodated. What, meantime, will be the loss to those smaller American cities and towns where college purchasing now is a material factor?

To what does all this come in the end? To a test of national intelligence and to a type of planning now neglected. Present estate and inheritance taxes render it almost certain, to repeat, that no

philanthropist will have a fortune large enough to create by bequest a trust of the size of the Carnegie Corporation, of the Rockefeller Foundation, or of the General Education Board which, from principal and interest, has given about \$265,000,000 to American education in various forms.

The continuance of a tax-policy that will prevent the establishment by gift or bequest of such noble foundations as these does not mean that Government will do all that the great endowments have done. On the contrary, the prospects are that much that the foundations have accomplished in promoting science, education and the humanities will not be undertaken at all. Governmental aid will be applied at the lower levels of immediate human need and not on the plane of higher intellectual endeavor.

There consequently is a grim possibility that shortsighted taxation will retard many types of scientific research in the United States almost as surely as National Socialism is destroying it in Germany.

Encouraging limited gifts

ONE potentiality of hope there is—one of which comparatively few men of large fortune and philanthropic impulse are availing themselves. That is the provision of the federal income tax by which contributions up to 15 per cent of net income are deductible from the amount subject to taxation. Little enough this is, to be sure.

The welfare of the nation, in any long view, would be promoted were the percentage 25. What Uncle Sam lost in taxes by raising the allowable limit of contributions he would gain in education and in scientific advance.

Even at 15 per cent, this provision of the income tax gives men of wealth the means of salvaging many colleges and institutions of research at something less than half of the cost of specific endowment.

Not infrequently, a man may give, say, \$150,000 to an institution over a five-year period and, by income-tax deduction, will find that the net cost to him will be \$40,000.

This is the life-line of higher education and of research. It is far cheaper to save the colleges than to do without them—ininitely more economical to support scientific investigation than to lose its benefits.